

SUPERMARKET BUSINESS

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In this Issue
NONFOODS BUSINESS*
In Selected Editions Only



ATLANTA: Part II
**Here Comes
Cub Foods,
There Go
Peachtree Prices**

PUBLISHER:
Jeffrey A. Schaeffer

EDITOR/ASSOCIATE PUBLISHER:
Kenneth P. Parich

SENIOR EDITOR:
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MANAGING EDITOR:
Robert J. Hughes

ASSOCIATE EDITORS:
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Caroline Craig

ART DEPARTMENT:
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INSTORE BUSINESS/SPECIAL PROJECTS
CONTRIBUTING EDITOR:
Robert F. Dietrich

CONTRIBUTING EDITORS:
Meat: **Kenneth Johnson,**
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Produce: **Barney H. McClure**

Technology: **Richard Shulman**

Store Planning: **David Rogers**

Washington: **S.S. Filippone**

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RESEARCH:
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914-528-1369

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Fieldmark Media, Inc.
25 W. 43rd Street, Suite 707
New York, N.Y. 10036

CHICAGO:
MIDWEST DIVISION SALES MANAGER:
Dave Wishard

MIDWEST REGIONAL SALES MANAGER:
George Stevens

Fieldmark Media, Inc.
3530 W. Peterson Ave.
Chicago, Ill. 60659
312-583-1518

WEST COAST:
Sue Martin

Fieldmark Media, Inc.
16133 Ventura Blvd., Suite 700
Encino, Calif. 91436
818-783-5888

FIELDMARK MEDIA, INC.
25 W. 43rd Street, Suite 707
New York, N.Y. 10036
212-354-5169

PRESIDENT:
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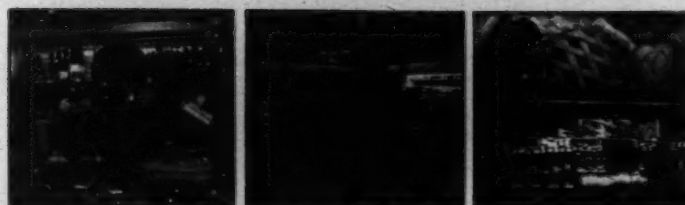
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Milling & Baking News
Kansas City, Mo.

COVER:
Illustration by **Robert Strimban**

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SUPERMARKET BUSINESS

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VOLUME 40
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SAMI UPDATE, HBA Sales Lose Some Momentum in February

Deodorants, toothpaste and shaving needs all faced unit volume losses during the most recent 28-day reporting period. But increases in cough/cold and mousse styling products helped offset these declines.

BY ALAN MILLER, JR.

After starting the New Year right with an overall gain of 3.8 percent, HBA unit sales through food stores inched forward only 1.4 percent during the 28-day SAMI reporting period ending March 1. At the product group measurement level, four-week gains were found in five out of eight categories, but it was the strong performance of skin care aids and proprietary cold medicines that made the difference between a

plus or minus trend in all categories combined. Skin care aids rose a resounding 17.1 percent in unit volume and proprietary remedy volume improved 3.2 percent to offset losses of 7.5 percent for shaving needs and 2.5 percent for deodorants. The plus/minus score by categories was 24 increases and 26 declines, reversing the favorable 28 to 22 ratio of gains to losses in the preceding reporting period.

During the preceding period (the four weeks ending February 1), the 3.8 percent gain rate for health and beauty aids was second only to a 4.4 percent advance for refrigerated foods. In the current period under scrutiny, the 1.4 percent gain rate was exceeded by all but dry grocery food products, which moved up a mere 0.3 percent.

Unit volume in the baby needs product group showed an increase of just under 1 per-

cent, contributed to by a rise of 5.7 percent in baby oils, cream and lotions. Nursing supplies, which had been on a high roll for an extended period, fell behind the year-earlier rate infinitesimally. Unit sales of infant clothes fell 9.5 percent, but since this is a low volume category in the product group, the decline did not pull the total category into the minus column.

Five out of the eight catego-



ries of deodorants in one form or another experienced sales declines, reaching the double-digit loss rate in three: spray deodorants (-15.3 percent), feminine hygiene deodorants (-11.6 percent) and deodorant and talcum powder (-11.2 percent). The 2.5 percent drop in unit sales for the product group would have been more severe if it had not been for the continuing, though less dramatic than usual, gain of 8.5 percent for stick deodorants and antiperspirants. Smaller upward trends were found among feminine douches (+2.2 percent), foot deodorants and athlete's foot remedies (+1.9 percent).

Both first aid categories moved upward versus the corresponding year ago period, with first aid antiseptics ahead 5.7 percent and first aid products advancing 0.6 percent.

Whopping increase in mousses

Among the seven categories in the hair care needs product group, there were only two registering gains. Hair setting needs saw the continuing proliferation of hair styling mousses responsible for a mighty four-week gain of 409.8 percent. The other plus was a modest rise of 6.5 percent in units of hair coloring products. For the fourth time in a row, unit volume for shampoos was negative, with a decline of 5.1 percent recorded for February.

The recent plus volume among hair sprays was interrupted and a minus 1.4 percent was seen. Losses among hair conditioning rinses and hair dressing needs were less than one percent, and the 1.6 percent dip for home permanent kits does not translate to many sales dollars because of the relatively small size of the category.

Gains and losses in the oral hygiene product group were balanced at three percent and three percent, but because of a 2.7 percent decline in the high volume toothpaste and powder category, the product group as a whole fell behind 0.6 percent. Mouth wash volume advanced 7.7 percent, reflecting in part the roll-out of Listerine Fluoride. The 14.3 percent gain among breath fresheners unfortunately is on too small a volume base to help the product group much. The improvement in denture adhesive sales through food stores amounted to less than one percent. Denture cleaner unit volume has been on a slide for a number of months and the most recent loss amounted to five percent.

Nothing to sneeze at

The big news in the proprietary remedy product group was that the cough, cold and flu season seems to be continuing without abatement and sales of the cold misery relief products continue to soar in comparison with the 1984 season.

Double-digit rates of increase were found among three of these categories: nasal spray-drop-inhalers (+14.0 percent), chest rubs (+11.1 percent) and cold tablets (+10.3 percent). Sleeping aids, which may be helped by a plague of coughs and colds, enjoyed a sales hike of 9.8 percent. The ever-vigorous eye care products category jumped 26.4 percent. Aside from proprietary tranquilizers, where a fall to oblivion continues, the most worrisome downward trends have been befalling vitamins (-12.7 percent) and appetite suppressants (-10 percent). Four-week volume in the important internal analgesics category rose only 48,000 units, or 0.2 percent.

Shaving points

All of the trend signs were negative in the shaving needs product group and loss rates exceeded five percent in each of the five categories tracked by SAMI. The loss for shaving creams, amounting to 10.6 percent, probably still can be attributed to the consumer stockpiling of deal merchandise last year, rather than a decline in shaving or switching from wet shaving to electric shavers. Razor blades representing two-thirds of the four-week unit volume in the shaving needs product group had a loss rate of 6.3 percent, higher than the 5.2 percent decline for the 12-week or 4.4 percent for the full year intervals.

The best overall performance is found in the skin care aids product group, where all five of the SAMI categories registered upward mobility as high as 96.1 percent in the case of suntan lotion-suntan oil, 26.7 percent for lip care products and 24.6 percent for hand and body creams and lotions. Less impressive unit sales increases were found among facial preparations (+3.3 percent) and cosmetic and medicated skin aids (+2.1 percent) for a total gain of 17.1 percent in the entire product group.

Thus, this report ends on a happy and positive note. Hopefully, March will prove profitable to manufacturers of toothpaste, shavers and deodorants of every description.

HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

Product Name AND CATEGORY	4 WEEK Trend 1985	4 WEEK Trend 1984	4 WEEK Trend 1983
SKIN CARE	+3.1%	+5.1%	+9.2%
Body Creams	-0.5	-1.5	-2.5
Body Oil, Lotion & Lotions	-8.4	-2.7	+5.7
Body Creams	-10.9	-5.4	-9.5
Nursing Supplies	+4.9	+6.0	0.0
DEODORANTS	+8.5%	+3.0%	-2.5%
Sprays	-1.2	-10.7	-15.3
Roll-Ons	+1.0	+2.0	-4.3
Stick Deodorants & Powders	+2.9	+14.7	+8.5
Creams	-8.0	-0.5	-4.4
Deodorants & Talcum Powders	-9.2	-0.8	-11.2
Feminine Hygiene	-6.8	-7.1	-11.6
Deodorants	-6.8	-7.1	-11.6
Foot Deodorants & Athlete's Foot Remedies	+5.4	+5.4	+1.9
Feminine Douches	+2.4	+6.3	+2.2
FIRST AID	+1.3%	+1.2%	+1.6%
Antiseptics	+5.8	+9.2	+5.7
First Aid Products	+0.3	-0.5	+0.6
HAIR CARE NEEDS	+4.6%	+3.2%	+1.6%
Shampoos	-2.2	-1.2	-5.1
Hair Sprays	+15.0	+6.6	-1.4
Hair Conditioning Rinses	-3.2	+1.4	0.0
Hair Styling Needs	+539.7	+439.7	+409.8
Home Permanent Kits	-13.5	+3.3	-1.6
Hair Coloring	+0.3	+0.3	+6.5
Hair Dressing Needs	+1.3	+1.5	-0.6
ORAL HYGIENE	-2.4%	-1.2%	-0.6%
Toothpastes & Powders	-1.9	-3.0	-2.7
Mouthwashes	-1.3	+3.6	+7.7
Breath Fresheners	+13.8	+9.4	+14.3
Denture Cleaners	-2.6	-7.5	-5.0
Denture Adhesives	-2.1	+1.2	-1.2
Toothbrushes	-7.0	-2.5	-2.2
PROPRIETARY REMEDIES	+5.3%	+3.2%	+2.2%
Antacids	+0.1	+0.1	+0.1
Internal Analgesics	+4.0	+2.5	+0.2
External Analgesics	-3.5	-2.5	-0.3
Cold Tablets	+5.7	+20.2	+10.3
Nasal Sprays-Drops-Inhalers	+14.0	+14.4	+14.0
Chest Rubs	+11.1	+14.4	+14.1
Cough Remedies	+2.5	+18.1	+6.5
Lozenges	-0.5	+4.3	+4.1
Sleeping Aids	+12.8	+12.9	+9.8
Tranquilizers	-20.5	-22.7	-28.6
Vitamins	-9.5	-7.3	-12.7
Eye Care Products	+20.6	+23.1	+20.4
Appetite Suppressants	-24.4	-15.9	-10.0
SHAVING NEEDS	-12.2%	-5.1%	-7.4%
Shaving Creams	-29.3	-10.6	-10.6
Pre-Shave Lotions	+5.9	+2.1	-9.4
After-Shave Lotions	-0.8	-6.2	-6.5
Razor Blades	-6.7	-2.7	-6.3
Razors & Blades	-11.1	-8.2	-9.1
SKIN CARE AIDS	+6.9%	+1.6%	+17.1%
Hand & Body Creams & Lotions	+6.6	+0.6	+24.6
Facial Preparations	-8.8	-3.4	-1.3
Lip Care Products	+10.7	+9.2	+26.7
Suntan Lotions & Oils	+29.0	+30.3	+96.1
Cosmetic & Medicated Skin Aids	+0.0	+1.9	+2.1
TOTAL ALL CATEGORIES	+0.2%	+2.5%	+4.8%

PUTTING SOME SPARKLE INTO THE WINE MARKET

The strength of the U.S. dollar in foreign markets during the past year uncorked a bonus for American winedrinkers and purveyors of the grape, including the nation's supermarkets.

During 1984, imported wines continued to become more affordable to U.S. consumers, leading to an eight percent growth in overall sales of imported wines—up from the seven percent growth registered a year ago. (Statistics used in this story are estimates based on actual wine consumption through November 1984, and compiled by the San Francisco-based Wine Institute.)

At the same time, domestic wines also enjoyed a better year than in 1983, with a five percent rate of growth, up from a mere one percent growth rate of the year before.

Domestic Wine

This is not to say, however, that imported wines began to outshine American wines; domestic varieties still account for three-quarters of U.S. wine consumption, precisely the same position they occupied a year ago.

Indeed, as a whole, this country's wine consumption is up six percent for 1984, twice the rate of increase as 1983's three percent gain.

But there is a conundrum here. While the experts and the figures agree that more wine is being consumed by Americans than ever before, there remains considerable debate about whether the United States will ever become the nation of wine drinkers into which many once thought it would evolve.

In *The New York Times*, for example, wine writer Frank J. Priol found the following observation fit to print: "Reports of our wine acculturation were not only premature, they were mostly groundless. I would suggest further that we have never been and are not now a wine-drinking nation, and that the jury is still out on whether we ever will be."

'Part of civilization'

André Fournier, founder and president of the André Fournier Wine Company, which specializes in highly priced California varietals, offers a rebuttal: "I disagree. Drinking wine is part of civilization. The more money people make, the more their standards go up, and the more civilized they become."

This approach, however, may be precisely what keeps the United States from a general, popular acceptance of wine as a casual beverage. William J. Prelli, vice president for national chain sales with The Seagram Wine Company (New York City), says that research has confirmed that "the higher you go within each segment of society, and the more educated people tend to be,

the more likely people are to consume wine on a regular basis. Wine is seen as elegant and complicated, and doesn't really lend itself to chugging and quaffing."

Prelli says that because this audience is seen as the natural target for wine, it is for precisely this group that advertising and promotion is tailored.

Guzzlers vs. sippers

If the U.S. is a nation of guzzlers rather than sippers, and if it is this difference that prevents this country from accepting wine on a widescale basis, then there may be an answer on the horizon—wine coolers. With dozens of brands available during 1984, the citrus-and-wine drinks were responsible for most of the 93 percent rate of growth in the Special/Natural category as defined by California's Wine Institute—by far the greatest amount of growth seen in any wine category during 1984. (See sidebar.)

With debate still raging about this nation's potential as a wine consumer, there is yet another riddle without a clear answer. According to sources, there is a clear disparity between the kinds of wines that are being sold and consumed in the United States. While imported wines have become more affordable and attractive to shoppers, and sales have increased, it is a different kind of domestic wine—namely the champagnes and sparkling wines—that have provided a considerable amount of the growth seen in American wines. Consumption of champagnes and sparkling wines that were made in the U.S. was up 13 percent in 1984 which, while slightly less than its 16 percent rate of growth during 1983, still made it second only to wine coolers in terms of pacing the segment.

Table wines, which include jug and non-vintage wines, experienced what is generally described as a "flat" year during 1984, down one percent from 1983. According to Seagram's Prelli, the fact that this drop was not more precipitous can be ascribed to the success of "the fine little boutique wines," which he said were up as much as 20 percent during 1984, as well as that of imported table wines.

Consumer psychology

Clearly, industry observers say, consumer psychology when it comes to wine purchasing habits in the U.S. remains something of a mystery. Marshall Newman, a Wine Institute spokesperson, when asked about the various factors—price, wine type, consumer education—that affect buying decisions, says only that specifics "are very hard to confirm."

On the retailing side, those involved with wine on a daily basis agree that there remains a considerable "intimidation factor" that must be overcome if wine is to develop into a common supermarket purchase. While this factor may have been over-

The supermarket may be the ideal forum in which to turn consumers toward wine. While wine is perceived as formal, America is an informal nation. Supermarkets reduce the wine mystique, and can generate new sales.



come in major metropolitan areas, in less sophisticated places—Maine and Nebraska, for example—there is still quite a distance to travel.

"There really is an intimidation factor there," says Bill Lee, manager of direct store delivery for Hannaford Bros. Co. (Scarborough, Maine). Lee says that there are two levels of intimidation at play—that of consumers and that of store personnel—and he suggests that it is nearly impossible to change shoppers' view of wine if store personnel's attitudes are not changed first. "It can all get to a point of sophistication past where I can understand it," he says. "It gets to the point where they (manufacturer representatives) are talking about bouquet and aroma, and all I want to know is, how many boxes does it do?"

In McCook, Neb., Sixth Street Food Stores recently opened up a new 40,000-square-foot unit, complete with a combination wine/beer/liquor department. "We haven't had any Indians attack the wagon trains in the past six months, but we're not exactly a metropolitan area," says Bob Mayber, spokesperson for the eight-

store, North Platte, Neb.-based chain. "Fifty percent of our sales in the section have been in beer, 30 percent in hard liquor, and 20 percent in wine." It is, Mayber says, a trend unlikely to change in the near future.

Indeed, Mayber's experience shows how fluctuating wine merchandising methods can be. Contrary to popular wisdom, a cold box in his wine section "wasn't producing," and he removed it; cross merchandising also "never produced many sales," and Mayber says that was eliminated as well.

Supermarkets are ideal

Philippe Pascal, of the trade organization Food and Wines From France, says that the supermarket is the ideal forum in which to turn consumers toward wine. The chief difficulty in getting Americans to appreciate wine, Pascal says, is that wine is perceived as formal while this nation is essentially a casual culture; wines in a super work to the products' advantage because they reduce

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Generous endcap and freestanding displays of wine at a Kroger super store in Atlanta (above, left) and at Smitty's Supermarket in Springfield, Mo. (above, right) typify aggressive approaches to wine merchandising—industry experts say wine must be sold like any other grocery product.

BRACE YOURSELVES FOR A WINE COOLER BOOM

Bill Lee has a problem.

Lee, the manager of direct store delivery for Hannaford Bros. Co. (Scarborough, Maine), is confident that wine coolers are going to be big during the summer of 1985. But he doesn't quite know what to do with them.

"I've tried merchandising them in the cold wine section, the regular wine section and in the cold beer section," he says. "Coolers did better in the cold beer section than in the other two sections combined. But that's tough real estate, and you have to make trade-offs. I'm at a loss as to how to merchandise coolers without losing a pack of Heineken for every cooler I put in."

Lee may not be alone in his quandary. Despite the fact that wine coolers experienced growth of about 93 percent during 1984, manufacturers and retailers alike are girding for "the big boom" they expect this summer. And while nobody is willing to estimate exactly how much will be sold this summer, the numbers each is willing to toss around are just short of staggering.

Sales and retailer slant

"Between 1981 and 1984, the cooler business was really sales and retailer oriented," says Thomas M. Gibbs III, director of marketing for California Cooler, Inc. (Stockton, Calif.). "Then, advertising was really an optional expense. In 1985, however, this will be a more typical consumer business. Distribution will be more of a given, and advertising will be a long term investment."

Big bucks are being sunk into the wine cooler business.

Gibbs says that in 1983, about \$1.3 million was spent on the overall cooler category in advertising by various manufacturers. In 1984, he says, that figure more than doubled, to \$3.2 million in advertising. In 1985, Gibbs says, estimates are that the overall category will be seeded with about \$93 million in advertising, which represents something close to a 3,000 percent increase.

The reason for the tremendous influx of advertising dollars is simple: The Seagram Wine Company and E. & J. Gallo Winery are going into the business.

Fueling growth

William J. Prelli, Seagram's vice president for national chain sales, says there are a variety of reasons that his company is investing heavily in the wine cooler business. Beyond the obvious fact that the company sees growth potential in the category, Seagram also sees coolers as a way of "fueling growth" in the overall American wine industry, Prelli says.

"Wine is really a graduation process," Prelli says. "Many people speculate that the explosion of wine coolers will introduce wine to people who may then go on to try more specific types of wine in a more conventional form." Prelli also says that there is not a great deal of concern within his own company that the cooler business will not explode as expected. Even if it remains flat, the wine cooler business would be a healthy amount of business, Prelli says; in addition, he says that census figures suggest that "the 25 to 44 age group will be up 26 percent by 1990, which means we will have a lot more consumers to sell to."

At California Cooler, there is some concern about the entry of Seagram and Gallo into the business, but Gibbs, acknowledging that there will be some shakeout from the dozens of companies currently in the segment, says that the company "will aggressively support the brand." Says Gibbs, "As long as we support the brand, we should not lose our market position. There's nobody who can go up against Seagram and Gallo, and of course we are concerned. But we know what our job is to do this year." ■

If the U.S. is a nation of guzzlers rather than sippers, then there may be a kick to wine sales with wine coolers, which accounted for much of the growth in the domestic wine category during 1984.

U.S. WINE CONSUMPTION DOMESTIC VERSUS IMPORTED MILLIONS OF 9 LITER CASES

	1982	1983	% Change	1984	% Change	1984 Share
DOMESTIC	164.6	165.3	+ .1	174.7	+ 5	75
IMPORTED	51.3	55.0	+ 7	69.2	+ 25	25
TOTAL	215.9	221.3	+ 2	243.9	+ 10	100%

* Domestic wines are the largest segment of the business at 75%.

* Imports have shown the greatest growth in the past few years and now are 25% of the total wine market in cases.

SOURCE: Wine Institute

U.S. WINE CONSUMPTION BY TYPE MILLIONS OF 9 LITER CASES

	1982	1983	% Change	1984	% Change	1984 Share
TABLE WINE	166.7	169.0	+ 1%	165.5	- 1%	72%
CHAMPAGNE & SPARKLING	15.7	16.4	+ 4%	20.5	+ 25%	9
VERMOUTH	3.2	3.1	- 3%	3.0	- 3%	1
DESSERT	16.4	16.8	+ 2%	15.0	- 10%	6
SPECIAL NATURAL (WINE COOLERS)	13.2	15.0	+ 14%	28.9	+ 93%	12
	(2)	(2.5)		(17.0)		
TOTAL	215.2	221.3	+ 3%	233.9	+ 8%	100%

* The table wine category grew by + 6% (cases) in 1984.

* Table wines are all the different types of 72% of total wine consumption. However, champagne and sparkling have shown domestic growth in 1983 and 1984.

* Wine coolers are an explosive new addition to the wine business and will help drive about 17 million cases in 1984.

SOURCE: Wine Institute

Continued from page 59

the mystique. "Wine drinking is a matter of pleasure," he says. "You don't have to be serious about wines to enjoy them." In fact, Pascal suggests, past tactics of encouraging Americans to be more serious about wine may have been misguided; what should have been developed is a campaign to get Americans to be more casual about wine.

Such a campaign is currently being unfolded by a variety of different trade groups and manufacturers. It is precisely this message that is offered to consumers in a prominent advertising campaign by Beaulieu Vineyards of Rutherford, Calif. Other manufacturers, such as Wente Bros. and Guild, for example, have altered some of their packaging to make wine more accessible. Wente Bros. is offering some of its wine in 187-milliliter single-service bottles, similar to those used on airplanes, and resulting in an increase in sales so large that the company had to go to double shifts for bottling purposes, according to Carolyn Wente, vice president of the company. And, at Guild, distribution of its Vintner's Choice wine in three liter plastic bottles "has pretty much doubled our volume," says Meredith Becker, a Guild Wineries and Distilleries spokesperson. Both Wente and Becker noted that supermarkets have proven to be a prime distribution point for these products, though neither had specific numbers to substantiate their claims.

Educational materials

At the German Wine Information Bureau, retailer demand for educational materials has doubled during the past year, says Lamar Elmore, executive director of the organization. Elmore says that in an attempt to respond to the requests, which accompanied a six percent increase in German wine imports during 1984, a four-city promotional tour to Tampa, Houston, Seattle and Detroit has been scheduled for later this year; the effort is aimed at helping distributors and retailers understand the product they are selling.

Vincenzo Gianpaolo, a spokesperson for the Italian Wine Promotion organization, says that his country's wine exports to the United States were actually down 0.8 percent during 1984. He attributes the flatness to the fact that the U.S. did not experience any significant growth in terms of the overall wine market. He also says that Italy has not as yet put together any consumer education efforts to promote its wines, and conceded that could be a factor in the lack of growth during 1984.

At Food and Wines from France, director Pascal is exultant over the way in which his nation's wines have performed over the past year. While France had about 30 percent of the imported wine market in the U.S. during the mid-'70's, that figure dropped to about 10 percent by the beginning of this decade, but now has rebounded to about a quarter of the total import market. Pascal admits that the drop was directly attributable to France's inability to develop a simple enough wine to appeal to Americans' unsophisticated palates. But that has changed, he says, with the export to the U.S. of a group of vins de table with an "authentic French nature." Pascal says that the coming months will see a substantial promotional push of French wines as beverages to be consumed with food, and that it is in this area that France sees the

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There is still a considerable "intimidation factor" that must be overcome if wine is to develop into a common supermarket purchase. While this may have been alleviated in metropolitan areas, in less sophisticated places there is still quite a distance to travel.

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most significant potential growth.

Private label wines

Pascal also suggests that in the not-too-distant future, Americans may see a new development: supermarkets offering a private label, imported wine to their customers. "This has already happened in Great Britain," he says, and when it happens in the U.S., "it will give us the opportunity to get new consumers for all our imported products."

Which brings things right back to the retailer, which is where the sales eventually have to be made. Retailers in general offer guarded optimism about the wine business; they seem to understand that it can help their business, but they don't quite understand it.

"Wine is still pretty much customer self-service," says Hannaford Bros.' Lee. "It is a self-sufficient category. I know that if I pay more attention to it, I can do a real good job with it."

Which is never bad for the retailer. ■



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At one Atlanta Big Star, prominent signs educate consumers about the store's wine selection; this serves both to stimulate sales and alleviate the need for full-time on-duty sales staff.

RESEARCH REPORT

Putting Some Punch Into Produce Departments

This article was written and researched by Herman Roberts, Jr., Safeway Stores, Inc.; Thomas J. Schuh, The Kroger Co., and Frederick J. Schuit, Lucky Stores, Inc. This paper was prepared as part of a Food Industry Marketing Program at the University of Southern California. The writers received a plaque, at the annual Food Industry Marketing dinner, for their work.

About three years ago, three major Southern California supermarket chains adopted an innovative produce merchandising program. It was implemented to improve the overall image of produce departments. Today, this is referred to by a variety of names including "farm-fresh look," "bulk bin produce" and "orchard bins."

Many people have felt that shopping in the produce department in their local supermarket has been traditionally ho-hum and less than exciting. Produce merchandising techniques have not changed for years, and the items are often presented as sterile and less-than-inviting. Because of this, many customers felt that the produce lacked quality and freshness. On the other hand, roadside produce stands have been perceived to have the

freshest and best quality merchandise.¹

The supermarket industry has spent many years trying to overcome these perceptions. Gradual changes have been made in display techniques as well as in the variety of items available for consumers. The presence of year-round strawberries, melons and exotic fruits have expanded the produce selection of today. In addition, public awareness of the nutritional benefits of fresh fruits and vegetables has brought the produce department of today new-found customers. But key questions remain:

1. How do we capitalize on this new interest?
2. How do we get these customers to spend their money in today's supermarket?
3. More importantly, how do we rid ourselves of the stigma of inferior produce departments?

Loblaws, a successful Canadian supermarket chain, is credited with the basics for the "farm-fresh look."² Its approach was to give that "right-off-the-farm" look that appeals to the modern shopper. Dale Lynch, former president of Safeway Stores, Inc., is mainly responsible for both the implementation of this concept to Safeway Stores and for its overall commitment to this merchandising technique.

Recent surveys conducted by the Food Marketing Institute, the Produce Marketing Association (PMA), and the United Fruits and Vegetable Growers Association have shown a shift in the reasons consumers choose a particular supermarket. The number one reason is high quality produce and the number two reason is variety and selection in the produce department.³ These facts are very surprising and are a major reason for the current emphasis on the importance of produce merchandising techniques.

The highly competitive nature of the Southern California supermarket environment has forced many companies to implement aggressive produce merchandising programs. In

particular, Hughes Markets and the Irvine Ranch Markets have built their reputations on high quality produce for their customers. Other chains are attempting to follow their lead and the "farm-fresh look" is a tool for doing so. The enthusiasm for these programs has been reinforced by the encouraging results and positive response of consumers.

The "Farm-Fresh Look"

The "farm-fresh look" concept for produce merchandising utilizes a number of ways to develop a fresh, "straight-off-the-farm" image. These include:

1. Building massive displays utilizing full, original shipping packages.
2. More efficiently using labor by not "trimming" as many items.
3. Making use of all available sales floor space.
4. Elimination of all unnecessary "double" or "triple handling" of merchandise.
5. The reduction of the amount of merchandise in the backroom.

In addition, the overall appearance of the produce department has been transformed into a road-side produce stand within the supermarket. Wooden display bins, canvas awnings and unique lighting techniques have all been adapted to the supermarket environment.

The Effect of the "Farm-Fresh Look" on Labor Efficiency

The store management personnel that we surveyed saw this new concept as an out-

standing means for reducing labor costs. Among the reasons for this perception are the following:

1. **Less time needed to rotate product.** The product on display is easier to pull off and easier to refill. This is due to many displays being built from the original shipping packages. To rotate: remove existing display cases, replace with new full cases, and dump the previously displayed cases on top. This process has eliminated the time-consuming method of handling individual items.

2. **More product on display.** The new display technique and tables offer more product for sale. This is very important in high-volume stores that become congested and difficult to work in. In addition, peak business hours are handled more efficiently due to better stock conditions.

3. **"Travel time" is reduced.** Since the amount of product is increased, fewer trips from the backroom to the sales floor are necessary. This allows store personnel to be more productive and visible.

4. **Reduce "processing" time.** Many items that were previously prepared for display are now presented in a more natural state. For example, unwrapped head lettuce, untrimmed ears of corn, and celery left unbanded are all ways of saving ever-increasing labor costs.

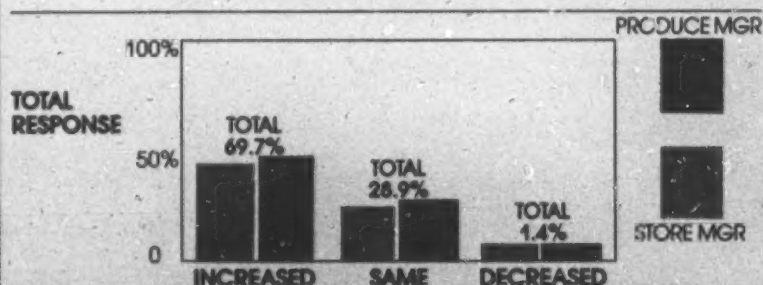
The current wage rate for a journeyman produce clerk in

— CHART A —
Customer Response to "Farm-Fresh Look"
(as reported by Store Personnel)

Respondents (Total 680)	Very Good	Good	Not so Good	Poor
Store Manager	55.6%	40.1%	3.2%	1.1%
Produce Manager	53.2%	42.6%	2.1%	2.1%
Totals	54.9%	39.7%	3.2%	2.2%

Note: Store Managers and Produce Department Managers were separated in this table due to the different degrees of customer contact.

CHART B
"Farm-Fresh Look" Effect On Produce Sales



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the Southern California retail area is \$11.80 per hour, plus an additional 45 percent for fringe benefits.⁴ These costs are rising and the need for better labor utilization is vital to the supermarket industry. Up to an 18 percent reduction in labor costs is possible with the proper implementation of this program.⁵

The Reception of the "Farm-Fresh Look" by supermarket shoppers

This concept has been extremely well accepted by the Southern California area shoppers. Customer feedback to store personnel indicates an overwhelmingly positive response to the changes that have taken place (See Chart A). The image that the supermarket produce departments now have can largely be attributed to the implementation of the "farm-fresh look." The response in sales indicates that the "road-side" produce stand is now inside the supermarket of today. Customers perceive these stores to have the highest quality and freshest produce available.

The Effect of the "Farm-Fresh Look" On Sales and Profitability

The best measure for success of the program is increased sales and profits for those stores in which it has been implemented. Through our personal interviews and information gathered from PMA, we have found there has been a one percent to three percent increase in total store sales volume for stores that have implemented these programs. In addition, there has been a very profitable 0.5 percent to four percent increase in produce sales as a percentage of total store sales.⁶

Specific sales results were not available due to the sensitive and confidential nature of this information. However, the questionnaire did not request specific information. We were more concerned with the overall effect as perceived by the store personnel. Therefore, the general opinion of supermarket management personnel was used as the basis for our conclusions.

Produce departments traditionally have been one of the highest gross margin areas in the supermarket. In fact, the gross margin on produce averages 33.5 percent compared to 15.9 percent on grocery and 20.6 percent on meat.⁷ As stated earlier, the importance of the produce department as an at-

traction is the number one reason that shoppers select a particular store. Since the profit potential of the produce department is substantial, the importance of attractive and appealing displays cannot be minimized. The "farm-fresh look" not only gives this benefit, but also enhances the total store image.

It is easy to see that an increase in sales in this department could also increase overall profits for the store. Higher traffic because of an improved produce image not only increases produce sales but adds to total store volume as well.

Farm-Fresh
Produce
=
Increased Produce
Sales
=
Increased Store
Sales
=
Increased
Profit

Our questionnaire determined that 69.7 percent of store managers and produce department managers who had the "farm-fresh look" reported an increase in produce sales. Another 28.9 percent reported no substantial change in their volume (See Chart B).

A major factor in the profitability of the produce department is the amount of inventory loss due to "shrink." That is, the difference in the amount of produce you order for sale and the actual amount you sold. The shrink dollars have also gone up with the increased sales and holding power of the "Farm-Fresh Look." However, as a percent of total sales, the shrink percentage has decreased. This has had a positive effect on not only the produce department net profit, but the overall store profit as well.⁸

How the Store Personnel View the Overall Concept

It has been obvious by the content of this report that there has been an enthusiastic response to the "farm-fresh look." Produce personnel surveyed indicated a positive attitude concerning rotation, holding power, customer response, sales and profitability. The positive attitude of store personnel has been a key factor in making this program a success. The chains involved have done an excellent job in acquiring support through education, training and selling of this concept. Not only have they sold it to

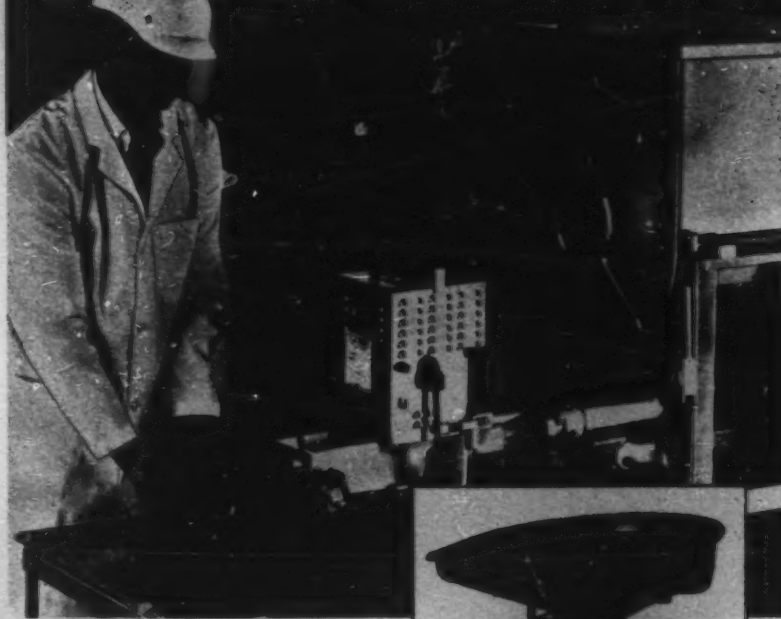
their employees, but to the customer as well.

To show the supermarket industry's acceptance of this concept in Southern California, Ralph's Grocery Company currently has 87 of its 126 stores on this program. Current plans call for converting the remaining 39 stores to the "farm-fresh look" in the near future. In addition, Safeway Stores, Inc., has converted 104 of its 220 Southern California stores to the "orchard

bins" concept. In fact, Safeway leads the way, with nearly 700 stores nationwide with this concept. Current plans call for converting as many stores as possible and all newly constructed Safeway stores will boast this "farm-fresh look." Finally, Lucky Stores, Inc., has approximately 25 percent of its stores on the program. Future plans call for converting most of the remaining stores.

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COMPLETE MEAT SYSTEM



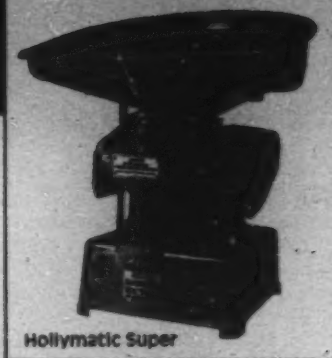
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RESEARCH STUDY

Continued from page 107

The widespread acceptance of this existing produce merchandising technique by these three major supermarket chains is an indication of things to come. New, better, and more revolutionary ideas in store merchandising are needed to keep up with the competitive nature of this industry. The "farm-fresh look" is a good example of

ON MEAT

Continued from page 93

being done by the industry to accurately inform consumers about the actual antibiotics issue, meat trade associations are renewing their stress on the need for proper food handling and preparation techniques to prevent diseases such as salmonellosis. The industry is also trying to draw attention to the overuse and abuse of penicillin and tetracycline in human medicine, which also adds to the pool of antibiotic-resistant bacteria, but which many ban opponents feel is currently underplayed by the majority of proponents.

The legal and safety-issue battles continue at FDA and in the pages of the scientific and general press, but the majority of consumers will be responding to the antibiotics issue where it most directly confronts them: at the meat case in the supermarket. Whether or not FDA declares a ban on the use of penicillin and tetracycline in animal feed, meat department staff may well be faced with a volley of consumer questions and resulting confusion regarding the effects of antibiotics on their health.

The Food Marketing Institute (FMI) is not taking an official stand on the issue, but it is working with meat industry groups to prepare a question-and-answer white paper to uncloud some of the confusion for its members. Karen Brown, vice president of communications at FMI, acknowledges that "this is the kind of issue that tends to get confusing."

The position of retailers is perhaps best summarized in the words of the American Meat Institute's vice president of communications, Mary Burnette: "We are basically waiting for FDA to come out with a statement one way or another. We don't have strong feelings either way. We want FDA to just resolve the issue, to put to bed any concerns that may be unwarranted."

adapting to the ever-changing demands of today's aggressive retail environment.

Therefore, we strongly suggest that any stores or chains not currently on this program, seriously consider its many advantages. Not only would the sales and profits of the companies increase, but their image with the customer would be greatly enhanced.

PERSONAL INTERVIEWS

Gray, Alan, Ralphs Grocery Company, Compton, Calif.
Lynch, Dale, Safeway Stores, Inc., Los Angeles, Calif.
Okamoto, Bob, Lucky Stores, Inc., Montebello, Calif.
Oliver, Ted, Lucky Stores, Inc., Westminster, Calif.
Salazar, Emilio, Lucky Stores, Inc., Buena Park, Calif.
Shockley, James S., Safeway Stores, Inc., Downey, Calif.
Small, Thomas, Safeway Stores, Inc., Downey, Calif.

FOOTNOTES

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2. Dale Lynch, Safeway Stores, Inc., interview, Los Angeles, Calif., Feb. 6, 1985.
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